

Message Text

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L/EB:SBOND

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FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ IMMEDIATE

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E.O. 11652: N/A

TAGS: EINV, BL

SUBJECT: OPIC INSURANCE APPLICATION: CHARLES E. STOKES

REF: (A) LA PAZ 5806; (B) LA PAZ 5513; (C) STEDMAN-
COTTER TELECON, NOV 4, 1974

1. STOKES HAS REQUESTED OPIC TO ADVISE HIM BY NOVEMBER 6, 1974, WHETHER INSURANCE CONTRACT WILL BE ISSUED SO THAT HE MAY EXERCISE OR REJECT OPTIONS THAT EXPIRE SOON THERE AFTER. AS OUTLINED IN NOV. 4 TELECON, CONTRACT WOULD PROVIDE FOR INCONVERTIBILITY (CURRENT COVERAGE DOLS 72,000; MAXIMUM COVERAGE DOLS 144,000) AND EXPROPRIATION (SAME COVERAGE LIMITS) INSURANCE. OPIC WOULD THUS BE COVERING 90 PERCENT OF THE PROPOSED DOLS 80,000 INVESTMENT, REQUIRING STOKES TO PAY 10 PERCENT CO-INSURANCE. IN VIEW OF OBJECTIONS TO OPIC INSURANCE OF STOKES PROJECT AND OTHER INVESTMENT IN AGRICULTURAL LAND RAISED IN LA PAZ 5513 AND LA PAZ 5806, OPIC PROPOSES ADDING PROVISION TO CONTRACT MAKING EFFECTIVENESS OF OPIC INSURANCE CONTIN-

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GENT ON STOKES OBTAINING A DECREE ESTABLISHING

"INAFFECTIBILITY" AS A CONDITION SUBSEQUENT TO EXECUTION OF CONTRACT; I.E., STOKES WOULD PAY PREMIUM BUT COULD NOT MAKE CLAIM UNDER EXPROPRIATION COVERAGE WITH OPIC UNLESS AND UNTIL "INAFFECTIBILITY" DECREE IS OBTAINED. PROPOSED CONTRACT DEFINITION OF INSURED PROJECT WILL ENSURE THAT

INVESTMENT IS USED STRICTLY FOR ESTABLISHMENT AND OPERATION OF A CATTLE RANCH IN BOLIVIA. STANDARD OPIC CONTRACT REQUIRES THAT INVESTOR REPRESENT AND WARRANT THAT THE PROJECT IS IN CONFORMITY WITH ALL LAWS OF THE PROJECT COUNTRY WHICH WOULD HAVE BEEN ASCERTAINED HAD A REASONABLE INVESTIGATION BEEN MADE. STOKES STATES IN HIS FORMAL APPLICATION TO OPIC THAT HE IS OBLIGED TO ADHERE TO THE BOLIVIAN FOREIGN INVESTMENT LAW AND THAT HIS RANCH IS SUBJECT TO THE AGRARIAN REFORM LAW.

2. TO ASSIST IN OUR CONSIDERATION OF STOKES' APPLICATION, IN WHICH WE ARE ALSO REVIEWING LEGAL VALIDITY OF BOLIVIAN FOREIGN OFFICE NOTE OF FEBRUARY 21, 1974, DEPARTMENT REQUESTS EMBASSY'S VIEW ON WHETHER OPIC HANDLING OF "INAFFECTIBILITY" AND OTHER CONTRACT LANGUAGE MENTIONED ABOVE WOULD SATISFACTORILY RESOLVE ISSUES RAISED IN REFTELS. IF EMBASSY BELIEVES THAT OPIC INSURANCE SHOULD NOT BE ISSUED, OPIC WOULD HAVE TO SO INFORM STOKES. APPRECIATE REPLY SOONEST. INGERSOLL

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